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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

MMJK, INC.

Plaintiff,

vs.

## ULTIMATE BLACKJACK TOUR, LLC

Defendant.

## 1. INTRODUCTION

MMJK’s unconditional covenant not to sue UBT on the ’154 patent moots the entire controversy between the parties concerning the ’154 patent and as a result has divested this Court of subject matter jurisdiction over UBT’s counterclaims for declaratory judgment of non-infringement, invalidity and unenforceability of the ’154 patent. Despite the Federal Circuit case law that dictates this result, UBT contends that an actual controversy still exists based upon the existence of MMJK’s pending patent application and that this somehow creates declaratory judgment jurisdiction over its counterclaims

1 relating to the '154 patent. Not surprisingly, UBT has provided absolutely no authority for this position.  
 2 MMJK's pending application is not at issue in this litigation and is not the subject of UBT's  
 3 counterclaims. Thus, even if there could be a present controversy between the parties regarding this  
 4 application, that controversy would not transform into a controversy concerning the '154 patent, which  
 5 is the subject of UBT's counterclaims.

6 In short, there is no controversy of "sufficient immediacy and reality" between the parties  
 7 regarding the '154 patent. Therefore, this Court should grant MMJK's motion to dismiss.

8 **II. ARGUMENT**

9 **A. MMJK'S Pending Patent Application Does Not  
 10 Create An Actual Controversy Over the '154 patent**

11 UBT devotes a significant portion of its brief to discussing the new standard for declaratory  
 12 judgment jurisdiction as enunciated by the Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*, \_\_  
 13 U.S.\_\_, 127 S. Ct. 764, 771 (2007) and as applied by the Federal Circuit in *Sony Electronics, Inc. v.*  
 14 *Guardian Media Techs., Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007) and *SanDisk Corporation v.*  
 15 *STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007). MMJK does not dispute the new standard for  
 16 determining the existence of a case or controversy sufficient to warrant declaratory relief. Indeed, its  
 17 opening memorandum MMJK cited *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340 (Fed. Cir.  
 18 2007) wherein the Federal Circuit applied the *MedImmune* "sufficient immediacy and reality" standard  
 19 in finding that there was no declaratory judgment jurisdiction over the counterclaims in that case.

20 Although not entirely clear from its brief, it appears that UBT concedes, which it must, that there  
 21 is no longer a controversy between MMJK and UBT regarding the '154 patent in view of MMJK's  
 22 covenant not to sue. As a result, UBT shifts the Court's attention to MMJK's pending patent  
 23 application. To that end, UBT would have this Court believe that simply because MMJK has a pending  
 24 patent application that may issue in the future, an actual case or controversy remains between the parties  
 25 so as to provide this Court with continued jurisdiction over UBT's declaratory judgment counterclaims  
 26 relating to the '154 patent. In other words, UBT is attempting to create a present controversy over the  
 27

1 ‘154 patent by bootstrapping the ‘154 patent to the pending application. UBT’s argument is misplaced  
 2 for two reasons.

3 First, the potential of a future controversy between MMJK and UBT regarding MMJK’s pending  
 4 patent application does not create a present case or controversy of “sufficient immediacy and reality” to  
 5 warrant declaratory judgment jurisdiction. *Benitec*, 495 F.3d at 1346-47 (“a claim for future patent  
 6 infringement lacked a sufficient allegation of immediacy to support a declaratory judgment action”),  
 7 *citing Teletronics Pacing Systems, Inc. v. Ventrifex, Inc.*, 982 F.2d 1520, 1527 (Fed. Cir. 1992).

8 Second, even if MMJK’s pending application did create a present controversy between the  
 9 parties, the controversy would be over the pending application, not the ‘154 patent. UBT’s declaratory  
 10 judgment counterclaims relate to the ‘154 patent, not to MMJK’s pending patent application, and there  
 11 is no longer an actual controversy between the parties concerning the ‘154 patent in view of the  
 12 covenant not to sue.

13 The Federal Circuit expressly rejected a similar argument in *Amana Refrigeration*. In that case,  
 14 Amana, the party seeking declaratory relief, argued that Quadlux’s covenant not to sue based on the  
 15 ‘005 patent “as it presently reads,” subjected it to risk of further litigation on the ‘005 patent because of  
 16 the potential grant of a reissue patent. As aptly explained by the Federal Circuit:

17 We rejected this argument in *Spectronics Corp. v. H.B. Fuller Co.*, 940  
 18 F.2d 631, 637, 19 U.S.P.Q. 2d (BNA) 1545,1550 (Fed. Cir. 1991), holding  
 19 that ‘although Spectronics may have some cause to fear a suit for future  
 20 infringement of substantively non-identical claims after reissue, it has no  
 21 cause for concern that can be held liable for practicing the invention  
 22 claimed in the ‘366 patent.’ Here, as in Spectronics, the future existence  
 23 of a reissue patent is wholly speculative and, therefore, cannot create a  
 24 present controversy. *Amana Refrigeration*, 172 F.3d at 855-56.

25 Thus, according to the Federal Circuit, the potential for a future controversy between the parties on a  
 26 reissue patent does not translate into a present controversy on the original patent given a covenant not to  
 27 sue on the original patent. Similarly, even though MMJK’s pending patent application may issue in the  
 28 future, there is no longer a present controversy between MMJK and UBT. Given the covenant not to  
 sue on the ‘154 patent, UBT has “no cause for concern that it could be held liable for practicing the

1 invention claimed" in the '154 patent, which is the only question the Court needs to answer  
 2 affirmatively in order to dismiss the pending counterclaims.

3 In short, there is currently no controversy between MMJK and UBT of "sufficient immediacy  
 4 and reality" regarding the '154 patent to support declaratory judgment jurisdiction, notwithstanding  
 5 MMJK's pending patent application.

6

7 **B. UBT Would Not Lose Customers Or Its Reputation  
 If The Complaint And Counterclaims Were Dismissed**

8 UBT further contends that "loss of customers and reputation creates an actual controversy."  
 9 (Memo. at p. 8.) UBT is attempting to equate itself with the declaratory judgment plaintiff, WS, in *WS*  
 10 *Packaging Group, Inc. v. Global Commerce Group, LLC*, 2007 U.S. Dist. LEXIS 34880 (D.I. No. 47-3).  
 11 In *WS Packaging*, the covenant not to sue was expressly limited to WS and to those customers of WS  
 12 with whom WS had contracted to indemnify from suit from Global. Because of this limited covenant,  
 13 the court found that the covenant did not remove the imminent injury to WS. WS had to indemnify  
 14 customers or face the potential loss of its customer base and reputation since its customers could be sued  
 15 by Global. Accordingly, the court found that the limited covenant not to sue was insufficient to remove  
 16 the controversy between WS and Global.

17 In comparing the *WS Packaging* case to the present case, UBT argues that "[s]imilarly, without  
 18 adjudication of UBT's counterclaims, UBT faces the loss of its customer base and reputation." (Memo.  
 19 at. P. 8.) There is nothing "similar" about the facts of this case and *WS Packaging*. MMJK's covenant  
 20 not to sue did not reserve any rights with respect to UBT's customers. More importantly, MMJK could  
 21 not sue UBT's customers, i.e., game tournament players, for infringement of the '154 patent because the  
 22 claims of the '154 patent are not infringed by players who simply play poker at UBT's websites. Thus,  
 23 UBT is not losing, and will not lose, customers as a result of the '154 patent because MMJK has  
 24 promised never to sue UBT for infringement of the '154 patent.

25 Further, UBT contends that MMJK has and will continue to assert the '154 patent to provide it  
 26 an advantage on the marketplace. (D.I. No. 46, p. 8.) Aside from being pure conjecture and  
 27 hypothetical, this makes no sense. What possible advantage over UBT could MMJK make of a patent

1 that it agreed not to assert against UBT? UBT's "loss of customers and reputation" argument as a basis  
 2 for creating an actual controversy is a red herring.

3

4 **C. UBT Is Not Entitled To Attorneys Fees**

5 MMJK does not dispute that UBT is the "prevailing party" as a result of the covenant not to sue.  
 6 However, this does not "entitle" it to its attorneys fees. Under 35 U.S.C. § 285, the "court in  
 7 exceptional cases may award reasonable attorney fees to the prevailing party." (Emphasis added.) UBT  
 8 overlooks these critical preconditions and instead argues that it is "entitled" to its attorneys fees as a  
 9 matter of right simply because it is the "prevailing party." UBT is wrong. There was no finding in this  
 10 Court's preliminary injunction order that this is an "exceptional case" within the meaning of 35 U.S.C. §  
 11 285. (D.I. No. 36.) Moreover, even if there was such a finding, an award of attorneys fees is within the  
 12 discretion of the Court. In short, UBT is not entitled to attorneys fees.

13 Regarding costs, again, while MMJK agrees that UBT would be considered the prevailing party  
 14 under Fed.R.Civ.P. 54(d) for costs, there were no depositions and no documents produced in this case.  
 15 Therefore, there should be no costs pursuant to 28 U.S.C. § 1920 to award UBT anyway.

16

17 **III. CONCLUSION**

18 Since the Court no longer has jurisdiction over UBT's counterclaim, this Court should dismiss  
 19 the complaint with prejudice pursuant to Fed.R.Civ.P. 41(a)(2) and UBT's counterclaims for lack of  
 20 subject matter jurisdiction pursuant to Fed.R.Civ.P. 12(b)(1).

21 Dated: October 29, 2007

22 DERGOSITS & NOAH LLP

23

24 By: /s/ Todd A. Noah  
 25 Todd A. Noah  
 26 Attorneys for Plaintiff MMJK, INC.